

Message Text

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ACTION SS-25

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TO SECSTATE WASHDC IMMEDIATE 8293

C O N F I D E N T I A L SECTION 01 OF 03 MEXICO 02739

EXDIS

DEPT REPEAT AS DESIRED

EO 11652: GDS
TAGS: MASS, MX
SUBJECT: F-5'S FOR MEXICO

REF: (A) STATE 018347 (B) MEXICO 02043 (C) STATE 31125
(D) DAO MEXICO 00637 (IR 6 864 0017 78) (E) DAO MEXICO
2046 (IR 6 864 0026 78) (F) STATE 034260

1. REF A ASKED FOR EMBASSY VIEWS ON "FORMAL REQUEST"
FROM MEXICAN EMBASSY FOR LETTERS OF OFFER AND ACCEPT-
ANCE FOR 24 F-5E AND 2 F-5F AIRCRAFT TOGETHER WITH
WEAPONS, SPARE PARTS, TRAINING AND MAINTENANCE PACKAGE,
AND FOR RECOMMENDATION REGARDING INCLUSION THIS SALE
ON FY 1978 SALES LIST. REFERENCE B CONTAINED AMBASSADOR'S
RECOMMENDATION THAT WE ADOPT POLICY OF NOT SELLING F-5
AIRCRAFT TO MEXICO AND ALSO NOT TO GUATEMALA AND GAVE
REASONS, WHICH STILL STAND. REF C REPEATS REQUEST FOR
RESPONSE TO SPECIFIC QUESTIONS IN REF A, AND THESE ARE
PROVIDED HEREIN. IN MEANTIME, AND AS IMPORTANT BACK-
GROUND TO F-5 QUESTION, WE HAVE THE GOSHKO-SIMONS ARTICLE
IN THE WASHINGTON POST, TWO STATEMENTS BY DEPT PRESS
SPOKESMAN ASSISTANT SECRETARY HODDING CARTER, THE STATE-
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MENT FROM THE MEXICAN AIR FORCE COMMANDER DENYING GOM
CONTEMPLATES ACQUISITION OF COMBAT AIRCRAFT, AND
AMBASSADOR MARGAIN'S FEB 6 REQUEST FOR EARLY REPLY TO
HIS NOTE OF DECEMBER 9.

2. "WHAT UNDERLINES GOM REQUEST?" THE MEXICAN
AIR FORCE IS OVERDUE FOR MODERNIZATION OF ITS COMBAT

CAPABILITY. ITS CORE OF T-28A AND T-33 AIRCRAFT ARE NOT ONLY OBSOLETE BUT DIFFICULT AND EXPENSIVE TO MAINTAIN. DAO INFORMATION ESTABLISHES THAT INTEREST IN F-5 PURCHASE HAS BEEN CURRENT, ON AND OFF, FOR 6 YEARS BUT HAS INTENSIFIED IN RECENT MONTHS FOR SEVERAL REASONS. THE F-5 REQUEST REFLECTS THE GOM INTEREST IN MODERNIZATION, ITS CONCERN OVER BUILDING A DETERRENT TO POSSIBLE GUATEMALAN AGGRESSION AGAINST BELIZE, WITH A POSSIBLE RESULTANT INVOLVEMENT OF MEXICO, AND ITS PERCEPTION OF ITS OWN MILITARY AND AIR POWER STANDING IN CENTRAL AMERICA. IT IS ALSO RELATED TO OTHER PLANNED PROCUREMENT OF MAJOR EQUIPMENT ITEMS FOR THE MEXICAN SERVICES. SEE REFS D AND E.

3. "IS THE GOM, AS DISTINGUISHED FROM THE MINDEF, FULLY COMMITTED TO A PROGRAM OF THIS MAGNITUDE?" IN A LETTER DATED OCTOBER 27, 1977, SEEN BY USDAO OFFICE (REF E), MEXICAN SECDEF DIRECTED HIS COMPTROLLER TO SET ASIDE \$213 MILLION U.S. FOR PURCHASE OF 24 F-5E'S AND 2 F-5F'S AND OTHER HARDWARE ITEMS, STATING IN WRITING THAT THIS ACTION WAS UNDER INSTRUCTIONS OF PRESIDENT LOPEZ PORTILLO GIVEN ON OCTOBER 19. THIS INFO, REPORTED IN REF E, IS FROM A SENSITIVE SOURCE AND SHOULD NOT RPT NOT BE USED EXCEPT FOR STATE AND DOD'S OWN BACKGROUND. AS FOR THE REASONS WHY THE MEXICAN AIR FORCE COMMANDER, SPEAKING THROUGH THE PRESIDENCY PRESS SPOKESMAN, CHOSE TO DENY ANY INTEREST ON MEXICO'S PART IN PURCHASING JETS FROM THE U.S., CONFIDENTIAL

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THE GOM WAS ANNOYED BY THE REVELATIONS IN THE WASHINGTON POST AND BY AP, AND APPEARS TO HAVE DECIDED THAT A FLAT DENIAL, EVEN IF UNTRUE, WAS THE BEST WAY TO MAKE THE ISSUE GO AWAY. THE MEXICAN AF COMMANDER WILL PROBABLY BE RETIRING WITHIN THE NEXT FEW MONTHS, AND PERHAPS CAN BE REGARDED AS EXPENDABLE. AMBASSADOR MARGAIN'S STATEMENT OF FEB 6 (REF F) SEEMS TO US TO MAKE IT CLEAR THAT GOM, DESPITE DENIAL MADE "TO TRANQUILIZE PUBLIC OPINION", IS STILL AN ANXIOUSLY ACTIVE POTENTIAL BUYER. IT IS UNLIKELY AMBASSADOR MARGAIN WOULD PRESS FOR AN ANSWER WITHOUT INSTRUCTIONS THAT HE CONSIDERED AUTHORITY.

4. "WOULD THIS SALE HAVE AN EFFECT ON CENTRAL AMERICAN REGIONAL ARMS BALANCE?" DEPARTMENT IS IN A BETTER POSITION TO ANSWER THIS QUESTION THAN WE ARE. BECAUSE OF BELIZE AND MEXICAN-GUATEMALAN CONTINGUITY, WE WOULD UNDERLINE POINT MADE BY AMBASSADOR IN REF B THAT POLICIES ON SALES TO MEXICO AND GUATEMALA SHOULD GO HAND IN HAND. SHOULD BELIZE INDEPENDENCE ISSUE BE FROZEN FOR TEN YEARS (THIS POSSIBILITY IS RAISED IN BELIZE 127, CITING UDP PROPOSAL), AND SHOULD UK BE OBLIGED TO RETAIN ITS MILITARY

AND AIR FORCES IN BELIZE FOR THIS LENGTH OF TIME, DEPARTMENT MAY WISH TO CONSULT UK ON HOW IT WOULD VIEW SALE OF F-5'S TO BOTH MEXICO AND GUATEMALA, WITHOUT IMPLYING ANY VETO RIGHT OVER U.S. DECISION.

5. "HOW WOULD THE SALE BE FINANCED?" AND "WOULD EXPENDITURE CONSTITUTE A SERIOUS DIVERSION OF ECONOMIC DEVELOPMENT FUNDS?" THE SMALL CY 1978 MEXICAN DEFENSE BUDGET UNDER THE "GASTOS" HEADING WOULD NOT BE USED TO

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COVER THIS PURCHASE, AND IT IS NOT LIKELY THE GOM WOULD APPLY THE \$5 MILLION (U.S.) IN FMS CREDIT ON THE BOOKS. THE PURCHASE WOULD BE COVERED BY A SPECIAL APPROPRIATION LABELED "INVERSIONES", WHICH IS NOT MADE PUBLIC. PAYMENT WOULD LIKELY BE IN CASH ON DELIVERY, WHICH WOULD BE AT LEAST TWO YEARS FROM THE DATE OF AGREEMENT TO SELL. FROM FINANCIAL POINT OF VIEW, IN TERMS OF THE 1978 BUDGET, THE PURCHASE OF THE F-5'S WOULD EQUAL ABOUT 1.3 PERCENT OF TOTAL FEDERAL GOVERNMENT EXPENDITURE AND ABOUT 6.5 PERCENT OF THE FEDERAL GOVERNMENT'S CAPITAL OUTLAYS. LOOKING AT OUTLAYS ON A SECTORAL BASIS, THE PURCHASE WOULD AMOUNT TO ABOUT 10.6 PERCENT OF FEDERAL GOVERNMENT EXPENDITURES FOR AGRICULTURE AND ABOUT 21.8 PERCENT OF FEDERAL GOVERNMENT OUTLAYS FOR THE INDUSTRIAL SECTOR. IT IS UNCERTAIN WHETHER THESE MONIES WOULD BE SPENT ON ECONOMIC DEVELOPMENT IN THE ABSENCE OF THE PURCHASE, OR WHETHER THE OVERALL EXPENDITURES WOULD DECLINE, LEAVING THESE RESOURCES AVAILABLE TO THE REST OF THE ECONOMY, OR WHETHER NOT MAKING USE OF THE RESOURCES WOULD HAVE A RESULTANT IMPACT ON THE BALANCE OF PAYMENTS. LOOKED AT IN LIGHT OF THE COUNTRY'S ESTIMATED TOTAL INVESTMENT IN 1977, THE

PURCHASE OF THE F-5'S WOULD BE ONE HALF OF ONE PERCENT.

6. "WHAT WOULD THE GOM REACTION LIKELY BE IF USG REFUSED
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SALES?" THE GOM OFFICIAL POLITICAL REACTION, EXTENDING TO PRESIDENT LOPEZ PORTILLO PERSONALLY, IS LIKELY TO BE SEVERE, FUNDAMENTAL AND LASTING. AS WE KNOW, THE PRESIDENT PERSONALLY APPROVED THE REQUEST FOR THE F-5 PURCHASE. HE HAS COMMITTED HIMSELF TO MODERNIZATION OF THE MEXICAN ARMED FORCES, AND HAS MADE THE DECISION THAT AN INCREASED DEPENDENCE ON THEIR SUPPORT IS A KEY ELEMENT OF HIS OVERALL NATIONAL POLICY DURING HIS ADMINISTRATION. THE PROCUREMENT OF HIGH PERFORMANCE AIRCRAFT IS THE SINGLE LARGEST MATERIAL ELEMENT INVOLVED IN THE PRESIDENT'S GIVING THE MILITARY AN EXPANDED ROLE AND THE CAPABILITY TO PERFORM IT. HE, ALONG WITH OTHER GOM AUTHORITIES, IS LIKELY TO INTERPRET A USG DECISION NOT TO SELL AS A BLOW TO HIS PERSONAL PRESTIGE AND TO HIS POLICY OF RAPPROCHEMENT WITH THE U.S. HE MIGHT WELL CONCLUDE THAT, IN THE FACE OF SUCH A USG DECISION, STATEMENTS OF COOPERATION AND FRIENDSHIP BETWEEN NEIGHBORS THAT HAVE BEEN REPEATED OVER THE FIRST YEAR OF THE NEW ADMINISTRATIONS IN BOTH COUNTRIES ARE EMPTY WORDS NOT BACKED UP WITH DEEDS. IN ANY CASE, IF U.S. NEGATIVE DECISION BECOMES PUBLIC, GOM REACTION WOULD BE STRONGEST. THE GOM WOULD PROBABLY EVOKE MEXICO'S SOVEREIGN RIGHT OF SELF-DEFENSE AND THE CONNECTED RIGHT TO OBTAIN THE NEEDED WEAPONRY FOR SUCH DEFENSES--POINTING OUT THAT THERE IS NO DANGER THAT MEXICO WILL USE JET AIRCRAFT FOR AGGRESSIVE PURPOSES, SINCE THIS WOULD BE CONTRARY TO ITS BASIC INTERNATIONAL POLICY. THE MEDIA WOULD PROBABLY ECHO THIS OFFICIAL POSITION, IN A MORE POINTED WAY, ACTING WITH BEHIND-THE-SCENES GOM ORCHESTRATION AND SUPPORT. THE PUBLIC AND PRESS REACTION WILL NOT BE A ONE-TIME THING BUT WILL BE EMBROIDERED ON, REINTERPRETED, AND BROADENED FOR SOME TIME.

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7. THE INTENSITY OF THE OFFICIAL AND PUBLIC REACTION ABOVE CAN BE AFFECTED TO A LIMITED EXTENT BY THE MANNER IN WHICH ANY U.S. REFUSAL TO SELL IS PRESENTED. DEPARTMENT WILL HAVE CONSIDERED ALTERNATIVE OF DELAYING ANY REPLY BY STATING MEXICAN AND OTHER REQUESTS BEING STUDIED, BUT IN VIEW OF MARGAIN'S APPEAL OF FEB 6, IT IS UNLIKELY

FACING ISSUE OF SALE OR NO SALE CAN BE DELAYED FOR LONG. THE LEAST DAMAGING METHOD OF PRESENTATION OF A NEGATIVE DECISION, AS THE AMBASSADOR HAS RECOMMENDED IN REF B, WOULD BE FOR THE U.S. TO EXPLAIN ITS REFUSAL STRICTLY IN TERMS OF PRESIDENT CARTER'S POLICY REGARDING ARMS SALES WORLDWIDE AND TO LATIN AMERICA. WE WOULD NOT, INITIALLY AT LEAST, MOLLIFY THE LIKELY GOM REACTION BY EITHER ATTEMPTING TO PERSUADE THE GOM THAT IT DOES NOT NEED F-5'S FOR ITS DEFENSE, OR BY ATTEMPTING TO INFLUENCE IT TO SUBSTITUTE OTHER LESS ADVANCED AND LESS EXPENSIVE AIRCRAFT FOR THE F-5'S. THE MOMENT FOR SUCH A POSITION MIGHT APPEAR LATER; BUT IF THE DECISION IS NOT TO SELL, JAWBONING WILL PROBABLY NOT HELP. INCONSISTENCY BETWEEN THE MEXICAN REQUEST AND U.S. PRESIDENTIAL POLICY SHOULD BE OUR INITIAL POSITION.

8. DENIAL OF SALE WOULD BE REGARDED BY THE MEXICAN MILITARY AS AN AFFRONT TO THEM, AND WOULD DAMAGE THE EXISTING FRIENDLY, BUT STILL ARMS-LENGTH, RELATIONSHIP BETWEEN THE U.S. AND MEXICAN MILITARY. THE OUTSTANDING U.S. OFFER TO HOST A VISIT TO THE U.S. OF MEXICAN SECDEF GALVAN WOULD PROBABLY BE REFUSED, ON THE OSTENSIBLE GROUNDS OF PREVIOUS COMMITMENTS OR OVERCROWDED SCHEDULE. THE CURRENT GOM MILITARY RELUCTANCE TO COUNTENANCE U.S. PRESENCE IN THE DRUG ERADICATION EFFORT WOULD BE LIKELY TO BE INTENSIFIED.

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9. WITH REGARD TO THE MATTER OF ALTERNATE PROCUREMENT, WHILE THE GOM PREFERS F-5'S, CURRENT INDICATIONS (REFS D, E AND F) ARE THAT IT INTENDS TO PURCHASE JETS. IT IS ALWAYS POSSIBLE (REF B) THAT GOM MIGHT NOW REASSESS ITS NEED FOR HIGH PERFORMANCE AIRCRAFT, EVEN THOUGH

PRESIDENTIAL AUTHORIZATION TO SEEK PURCHASE HAD BEEN OBTAINED. NEVERTHELESS, IF U.S. SALE REFUSED, GOM IS LIKELY TO LOOK ELSEWHERE. RECENT MEXICAN ARMY PURCHASES HAVE BEEN FROM WESTERN EUROPE AND ISRAEL, WHICH COULD BE LIKELY SOURCES FOR AN ALTERNATIVE PURCHASE. THE FRENCH GOVERNMENT, FOR ONE, IS ACTIVELY SOLICITING GOM HIGH PERFORMANCE AIRCRAFT SALES IN MEXICO. THE GOM WOULD BE RELUCTANT TO PURCHASE FROM COMMUNIST BLOC COUNTRIES, BUT IF REFUSED BY THE U.S. AND GIVEN FAVORABLE TERMS, IT MIGHT TAKE THAT OPTION.

10. "OTHER ASPECTS". ACCORDING TO DAO INFORMATION, PROVIDED IN REFS D AND E, THE AIRCRAFT PURCHASE IS PART OF A LARGER PACKAGE, WHICH INCLUDES 54 ARMORED PERSONNEL CARRIERS AND A BATTERY OF ANTI-AIRCRAFT EQUIPMENT OF GUNS AND ROCKETS. THE GROUND EQUIPMENT IS TO BE PURCHASED FROM SWITZERLAND. THE NATURE OF THE EQUIPMENT INDICATES CLEARLY THAT THE ENTIRE PACKAGE IS DESIGNED TO BOLSTER MEXICAN CONVENTIONAL MILITARY CAPABILITIES. IT REFLECTS ORIENTATION OF PRESENT SECDEF GALVAN TO EMPHASIZE MEXICAN CONFIDENTIAL

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ARMED FORCES ROLE OF MILITARY CAPABILITY AND DE-EMPHASIZE FORMER SOCIAL ACTION ROLE, IN ADDITION TO CONCERN OVER POSSIBLE GUATEMALAN INTENTIONS RE BELIZE. THE QUESTION ARISES AS TO HOW SUCH GOM ORIENTATION AND RESULTANT ARMS SALES REQUESTS SQUARE WITH PRESIDENT CARTER'S POLICY OF LIMITING CONVENTIONAL ARMS SALES WORLDWIDE AND IN LATIN AMERICA. THIS QUESTION WE BELIEVE WASHINGTON IS BEST PREPARED TO ADDRESS. HOWEVER, A REFUSAL TO SELL THROUGHOUT THE REST OF THE HEMISPHERE, AS WELL AS TO MEXICO AND GUATEMALA, MIGHT MAKE THE U.S. POSITION MORE UNDERSTANDABLE TO MEXICO, IF NOT MORE POPULAR.

11. PARA 3 OF STATE 031125 (REF C) ASKS FOR FURTHER ELABORATION OF OUR PERCEPTION OF "MEXICAN-GUATEMALAN TENSION OVER BELIZE", WHICH WAS MENTIONED IN MEXICO 2043 (REF B). BASICALLY THIS TENSION ARISES FROM MEXICO'S COMMON BORDERS WITH BOTH BELIZE AND GUATEMALA, FROM MEXICO'S RESIDUAL CLAIM TO PART OF NORTHERN BELIZE (WHICH GUATEMALA DOES NOT RECOGNIZE--SEE CONFIDENTIAL EXDIS GUATEMALA 0466), AND TO MEXICAN UNCERTAINTY OVER WHAT COURSE OF ACTION GUATEMALA MIGHT TAKE IF ONGOING NEGOTIATIONS FOR A PEACEFUL SETTLEMENT SOON DO NOT PRODUCE RESULTS. THE REASON FOR TENSION IS CERTAINLY PRESENT, ALTHOUGH IT HAS NOT REACHED AN ACUTE STAGE AND IS NOT LIKELY TO DO SO UNLESS UK-GUATEMALA NEGOTIATIONS OVER BELIZE BREAK DOWN. AN INSTANCE OF MEXICAN SENSITIVITY OVER GUATEMALA AND BELIZE IS SECRETARY ROEL'S INQUIRIES TO AMBASSADOR LAST FALL AS TO WHETHER ISRAEL

INTENDED TO SELL HIGH PERFORMANCE AIRCRAFT TO GUATEMALA.
EMBASSY BELIEVES DEPARTMENT HAS AMPLE EVIDENCE OF TENSION
BETWEEN GUATEMALA AND MEXICO OVER BELIZE FROM PAST
REPORTS. LUCEY

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